

**RESALE POWER GROUP OF IOWA
ANKENY, IOWA**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
FEBRUARY 28, 2005 AND FEBRUARY 29, 2004**

RESALE POWER GROUP OF IOWA

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RESALE POWER GROUP OF IOWA

OFFICIALS

Administrative Board -		
Terry Hershberger	President	Amana Society Service Company
Pat Stief	Vice-President	Traer Municipal Utilities
Warren McKenna	Secretary/Treasurer	Farmers Electric Co-operative
Norm Parsons	Member	Hopkinton Municipal Utility
Lori Glanzman	Member	Mt. Pleasant Municipal Utilities
Gary Obbink	Member	City of Sibley
Jeff Ishmael	Member	Story City Municipal Utility
Others -		
Bob Haug	Executive Director	Iowa Association Municipal Utilities
Kris Stubbs	Business Manager	Iowa Association Municipal Utilities

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INDEPENDENT AUDITORS' REPORT

Resale Power Group of Iowa
Ankeny, Iowa

We have audited the financial statements, as listed in the table of contents of the Resale Power Group of Iowa, as of and for the years ended February 28, 2005 and February 29, 2004. These financial statements are the responsibility of Resale Power Group of Iowa's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Resale Power Group of Iowa as of February 28, 2005 and February 29, 2004 and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2005, on our consideration of Resale Power Group of Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Resale Power Group of Iowa has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

June 15, 2005

By


Certified Public Accountant

RESALE POWER GROUP OF IOWA

STATEMENTS OF NET ASSETS **FEBRUARY 28, 2005 AND FEBRUARY 29, 2004**

ASSETS	2005	2004
Cash and Invested Funds:		
Operations	\$ 1,267,875	\$ 914,824
Transmission	14,732	14,570
User Fees	7,405	7,324
Western Area Power Association	-	14,810
Total Cash and Invested Funds	1,290,012	951,528
Accounts Receivable	1,810,114	1,923,146
	<u> </u>	<u> </u>
Total Assets	<u>\$ 3,100,126</u>	<u>\$ 2,874,674</u>
 LIABILITIES AND NET ASSETS		
Accounts Payable - Trade	\$ 1,882,779	\$ 1,898,326
Accounts Payable - Western Area Power Association	-	14,711
Due to Iowa Association of Municipal Utilities	5,129	5,071
Total Liabilities	1,887,908	1,918,108
Net Assets -		
Unrestricted	1,212,218	956,566
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$ 3,100,126</u>	<u>\$ 2,874,674</u>

See Independent Auditors' Report and Notes to Financial Statements.

RESALE POWER GROUP OF IOWA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED FEBRUARY 28, 2005 AND FEBRUARY 29, 2004

	2005	2004
OPERATING REVENUES:		
Wholesale Energy Revenue	\$ 29,757,919	\$ 19,731,357
Translink Reimbursement	<u>39,133</u>	<u>79,171</u>
Total Operating Revenues	29,797,052	19,810,528
OPERATING EXPENSES:		
Wholesale Energy Expense	29,151,423	19,265,768
Consultant Expense	114,320	140,452
Translink Expenses	39,120	103,887
Legal Expense	32,031	48,567
Operating Expense	<u>223,826</u>	<u>388,678</u>
Total Operating Expenses	29,560,720	19,947,352
Operating Income (Loss)	236,332	(136,824)
NON-OPERATING REVENUES:		
Interest Income	19,320	11,205
Other	<u>-</u>	<u>300</u>
Total Non-Operating Revenues	19,320	11,505
Change in Net Assets Before Extraordinary Item	255,652	(125,319)
EXTRAORDINARY ITEM:		
Western Area Power Association Refund	<u>-</u>	<u>(447,476)</u>
Change in Net Assets	255,652	(572,795)
Net Assets, Beginning of Year	956,566	1,529,361
Net Assets, End of Year	<u>\$ 1,212,218</u>	<u>\$ 956,566</u>

See Independent Auditors' Report and Notes to Financial Statements.

RESALE POWER GROUP OF IOWA

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED FEBRUARY 28, 2005 AND FEBRUARY 29, 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Receipts from Wholesale Energy Sales	\$ 29,870,951	\$ 18,942,960
Cash Receipts from Reimbursement	39,133	79,171
Cash Payments for Wholesale Energy Purchased	(29,181,623)	(18,060,737)
Cash Payments for Operating Expenses	(409,297)	(681,584)
Cash Payments for Extraordinary Item	-	(447,476)
Net Cash From Operating Activities	<u>319,164</u>	<u>(167,666)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Cash Receipts from Members and Others	-	300
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Received on Investment Earnings	<u>19,320</u>	<u>11,205</u>
Increase (Decrease) in Cash and Invested Funds	338,484	(156,161)
Cash and Invested Funds, Beginning of Year	951,528	1,107,689
Cash and Invested Funds, End of Year	<u>\$ 1,290,012</u>	<u>\$ 951,528</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ 236,332	\$ (136,824)
Changes in Operating Assets and Liabilities:		
Receivables (Increase) Decrease	113,032	(788,397)
Accounts Payable Increase (Decrease)	(15,547)	1,189,071
Accounts Payable - Western Area Power Association Increase (Decrease)	(14,711)	14,711
Due to Iowa Association of Municipal Activities Increase	58	1,249
Extraordinary Item (Decrease)	-	(447,476)
Net Cash from Operating Activities	<u>\$ 319,164</u>	<u>\$ (167,666)</u>

See Independent Auditors' Report and Notes to Financial Statements.

RESALE POWER GROUP OF IOWA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Organization -*

Resale Power Group of Iowa (RPGI) was organized in 1986 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of RPGI is to obtain wholesale electric energy and transmission thereof and other related services for its members. Management is comprised of an administrative board selected from RPGI members and Iowa Association of Municipal Utilities (IAMU) personnel.

RPGI members are either public or private agencies who are bound by the terms of the 28E agreement filed with the Iowa Secretary of State.

B. *Reporting Entity -*

The Governmental Accounting Standard Board (GASB) requires RPGI to consider if it has oversight or control over any other legal entities and has set forth criteria to consider such in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of an organization to impose its will on another organization or (2) the financial burdens on the Association. RPGI has no such oversight or control and therefore has no component units which meet the Governmental Accounting Standards Board criteria.

C. *Basis of Presentation -*

As a 28E organization, the accounts of RPGI are organized as a governmental entity with its activities reported as an Enterprise Fund. Enterprise Funds are used to account for operations: (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs of providing goods or services on a continuing basis be financed or recovered primarily through user charges or, (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

D. *Measurement Focus and Basis of Accounting -*

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

RPGI applies all applicable GASB pronouncements, as well as following pronouncements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989, unless such pronouncements conflict with or contradict GASB pronouncements.

See Independent Auditors' Report.

E. ***Revenue Recognition -***

RPGL distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with its principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

F. ***Budget -***

Resale Power Group of Iowa is not required to and does not publish or approve a public budget. Accordingly, the organization is unable to comply with the requirement to present budgetary information in these financial statements. RPGL does, however, prepare an internal-use-only budget as required by Chapter 28E of The Code of Iowa.

G. ***Use of Estimates -***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. ***Cash and Invested Funds -***

Cash and invested funds (cash equivalents) for the purpose of reporting cash flows, consists of cash and funds in operating bank accounts, including Iowa Public Agency Investment Trust (IPAIT).

I. ***Income Taxes -***

RPGL is exempt from federal income taxes pursuant to Revenue Ruling 77-261, 1977-2 C B 45.

NOTE 2 - CASH AND INVESTMENTS

RPGL is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by RPGL; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

All monies deposited with Iowa Public Agency Investment Trust (IPAIT) are held in the IPAIT Diversified Portfolio. The balances totaling \$1,290,012 and \$951,528 for 2005 and 2004, respectively, are not FDIC insured as IPAIT is not considered a financial institution. Instead, IPAIT is a common law trust established under Iowa law which authorizes Iowa public agencies to jointly invest moneys pursuant to a joint investment agreement. IPAIT is registered under the Investment Company Act of 1940. Investments in IPAIT are not classified as to custodial credit risk.

NOTE 3 - SERVICE AGREEMENT

RPGL has a service agreement with Ameren Energy Marketing Company (Ameren), whereby Ameren provides delivery of electric energy capacity to RPGL through December 31, 2008. RPGL has agreed to purchase certain minimum megawatt-hours of energy from Ameren. In turn, RPGL has executed electric services agreements with its participating members to utilize the energy provided by the Ameren pursuant to the service agreement.

See Independent Auditors' Report.

NOTE 4 - RELATED PARTY TRANSACTIONS

Resale Power Group of Iowa pays Iowa Association of Municipal Utilities (IAMU) an administrative fee for services performed. Total fees to IAMU for the years ended February 28, 2005 and February 29, 2004 were \$6,792 and \$7,422, respectively.

NOTE 5 - EXTRAORDINARY ITEM

During the year ended February 29, 2004, Resale Power Group of Iowa refunded \$447,476 to three of its members for overcharges relating to transmission fees which were expected to be owed to Western Area Power Association. This amount accumulated over the term of the five year wholesale energy contract with MidAmerican Energy Company. It was not determined that, in fact, the transmission fees were not owed to Western Area Power Association until the MidAmerican Energy Company contract expired.

See Independent Auditors' Report.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDITS OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDIT STANDARDS

Resale Power Group of Iowa
Ankeny, Iowa

We have audited the financial statements of the Resale Power Group of Iowa (RPGI) as of and for the years ended February 28, 2005 and February 29, 2004, and have issued our report thereon dated June 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Resale Power Group of Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Resale Power Group of Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Resale Power Groups of Iowa's operations for the years ended February 28, 2005 and February 29, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Association. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

This report is intended solely for the information and use of management, the members and customers of Resale Power Group of Iowa, and other parties to whom it may report and is not intended to be and should not be used by anyone other than these specified parties.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

By _____
Certified Public Accountant

June 15, 2005

RESALE POWER GROUP OF IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED FEBRUARY 28, 2005

Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No matters were noted.

Other Findings Related to Required Statutory Reporting

- (1) Official Depositories - A resolution naming official depositories has been adopted.
- (2) Questionable Expenses - No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense - No expenditures of money for travel expenses of spouses of Resale Power Group of Iowa officials or employees were noted.
- (4) Board Minutes - No transactions were found that we believe should have been approved in the Administrative Board minutes but were not.
- (5) Deposits and Investments - Resale Power Group of Iowa has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.